

**ECONOMIC DEVELOPMENT, IOWA DEPARTMENT OF[261]**

**Adopted and Filed**

Pursuant to the authority of Iowa Code sections 15.104 and 15.106, the Iowa Department of Economic Development hereby amends Chapter 71, “Targeted Jobs Withholding Tax Credit Program,” Iowa Administrative Code.

These amendments establish a limit on the total amount of withholding tax credits awarded based upon the total amount of land and site preparation costs and depreciable assets in the project; define matching funds to be provided by the business and the local community; and require all applications to be presented to the Iowa Economic Development Board for comment prior to the Department’s approval.

Notice of Intended Action was published in the Iowa Administrative Bulletin on October 8, 2008, as **ARC 7249B**.

A public hearing was held on October 29, 2008, to receive public comment on the proposed amendments. The Department received three comments that opposed limiting the total award amount of withholding tax credits based upon the total amount of depreciable assets in a project. As a result of these comments, the Department has further amended subrule 71.4(2) to establish a limit on the total amount of withholding tax credits awarded based upon the total amount of land and site preparation costs and depreciable assets in a project.

Additionally, the Department received nine comments that opposed requiring a pilot project city to provide local financial support for projects and that contended that the proposed amendment to subrule 71.4(7) would create unintended consequences based upon the original legislation and would cause undue hardship on pilot project cities. The Department contends the amendment requiring pilot project cities to provide local financial support to projects is appropriate. Historically, the Department has encouraged cities or counties to provide financial assistance to local projects. Hence, city or county support should apply to this program as well.

The Iowa Economic Development Board adopted these amendments on January 15, 2009.

These amendments will become effective on March 18, 2009.

These amendments are intended to implement Iowa Code section 403.19A.

The following amendments are adopted.

ITEM 1. Strike “81GA,HF2731” wherever it appears in **261—Chapter 71** and insert “403” in lieu thereof.

ITEM 2. Amend rule **261—71.1(403)**, definition of “Act,” as follows:

“Act” means ~~2006 Iowa Acts, House File 2731~~ Iowa Code section 403.19A.

ITEM 3. Amend subrule 71.4(2) as follows:

**71.4(2) Entering into an agreement.** A pilot project city may enter into a withholding agreement with a business locating to the community from another state that is creating or retaining targeted jobs in an urban renewal area. The pilot project city may enter into a withholding agreement with a business currently located in Iowa only if the business is creating at least ten new jobs or making a qualifying investment of at least \$500,000 within the urban renewal area. The total award amount of withholding tax credits cannot exceed the total amount of land and site preparation costs and capital investment of depreciable assets in the project. A business shall not be obligated to enter into a withholding agreement with a pilot project city. A pilot project city shall not enter into a withholding agreement with a business after June 30, 2010.

ITEM 4. Amend subrule 71.4(7) as follows:

**71.4(7) Local match requirement.** A pilot project city entering into a withholding agreement shall arrange for a match of at least one dollar for each withholding dollar received by the city. The local match may come from the pilot project city, a private donor, or the employer or a combination of the three. Local matches may be in the form of cash or in-kind contributions to be used for the project.

Additionally, the pilot project city is required to provide local financial support to the project in one of the two following forms or their equivalent values:

- a. Tax abatement for the project, as provided under Iowa Code chapter 427B.
- b. Local participation in the form of a cash grant or in-kind grant that is equal to the value of tax abatement under Iowa Code chapter 427B, under the established five-year sliding scale, or 10 percent of the total award amount of withholding tax credits, whichever is less.

ITEM 5. Amend paragraph **71.5(1)“b”** as follows:

b. Applications for project approval for the targeted jobs withholding tax credit program may be submitted at any time. The department will review applications for projects in as timely a manner as possible. All applications will be presented to the IDED board for comment prior to the department’s approval. A pilot project city will be notified in writing of the department’s decision regarding the project.

ITEM 6. Amend subrule 71.6(2) as follows:

**71.6(2) Annual report.** The department shall prepare an annual report for the governor, the general assembly, and the legislative services agency on the targeted jobs withholding tax credit program. This report shall be due on ~~July 31~~ January 31 of each year. The report shall include but not be limited to the following:

- a. to d. No change.

ITEM 7. Amend **261—Chapter 71**, implementation sentence, as follows:

These rules are intended to implement ~~2006 Iowa Acts, House File 2731~~ Iowa Code section 403.19A.

[Filed 1/20/09, effective 3/18/09]

[Published 2/11/09]

EDITOR’S NOTE: For replacement pages for IAC, see IAC Supplement 2/11/09.